



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 04-0294990

**THE APPLICATION OF BLUESTONE NATURAL RES. II, LLC, TO ADOPT
PERMANENT FIELD RULES FOR THE LOPEÑO (QUEEN CITY OIL) FIELD,
ZAPATA COUNTY, TEXAS**

HEARD BY: Paul Dubois – Technical Examiner
Marshall Enquist – Hearings Examiner

HEARING DATE: February 17, 2015

CONFERENCE DATE: April 8, 2015

APPEARANCES:

Dale Miller
Kyle Culhane
Jacob Ellard

REPRESENTING:

Bluestone Natural Resources II, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Bluestone Natural Resources II, LLC (Bluestone) seeks to adopt permanent field rules for the Lopeno (Queen City Oil) Field in Zapata County, Texas. The field was discovered in 1964 and is currently on statewide rules for spacing and density. Bluestone requests the following rules be adopted for the field:

- Designate a correlative interval from 2,180 feet to 2,579 feet;
- Establish lease line and between well spacing of 330 feet;
- Establish 40-acre standard and 20-acre optional proration units; and,
- Establish allocation based on 100 percent acres with a top oil allowable based on the 1965 yardstick.

The application was not protested. The Examiners recommend that the permanent field rules be adopted for the Lopeno (Queen City Oil) Field as requested by Bluestone.

DISCUSSION OF EVIDENCE

The Lopeno (Queen City Oil) Field was discovered on April 28, 1964, at a depth of 2,380 feet. The well is currently on Statewide Rules with a top allowable of 78 barrels of oil per day (BOPD) based on the 1965 Yardstick in Statewide Rule 45(a)(2)[16 Tex. Admin. Code. §3.45(a)(2)]. Eleven wells have been completed in the field. Three wells were completed in the field in 1964, two were drilled in the 1970s, and six were drilled in the 1980s. The February 1, 2015, oil proration schedule carries five wells, three of which are producing, and one was plugged a few days before the hearing. The February 1, 2015, gas proration schedule carries no wells.

Since discovery the field has produced 446,743 barrels of oil (BO) and 1,783,259 thousand cubic feet (MCF) of gas well and casinghead gas. In 2014, the field produced 6,444 BO and 13,139 MCF of gas. The average weighted gas-oil ratios are 2,854 standard cubic feet (SCF) per standard tank barrel (STB) from potential test data, and 3,964 SCF/STB from production data. The water cut averages 15 percent. The reservoir has an average porosity of 21.8 percent. The average water saturation is 45 percent. The average net effective oil pay thickness is 38 feet. The oil has a gravity of 29° API.

The proposed correlative interval from 2,180 feet to 2,579 feet is based on the log of the Bluestone Natural Res. II, LLC (originally operated by Gulf Energy Producing Company) – Blas Ramirez Lease, Well No. Q 4 (API No. 42-505-31563, Section 17, C Ramirez Survey, A-77, in Zapata County, Texas. The spontaneous potential curve on the type log exhibits a deviation from the shale baseline at the top of the proposed interval, and indicates inter-bedded sands within the interval.

Bluestone estimates the recoverable oil in place to be 114 STB per acre-foot, which corresponds to 173,280 STB in a 40-acre unit and 86,640 STB in a 20-acre unit. Bluestone further estimates that wells in the field drain from 2 to 65 acres, with the average drainage being 14 acres. Bluestone believes 40-acre standard units with 20-acre optional units are appropriate for the field. The standard lease line spacing for a 20-acre unit is 330 feet, and the standard between-well spacing for a 20-acre unit is 467 feet. The field exists as a linear trend, and Bluestone believes a reduced between-well spacing is appropriate for full development.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The Lopeno (Queen City Oil) Field was discovered on April 28, 1964, at a depth of 2,380 feet. The well is currently on Statewide Rules with a top allowable of 78 barrels of oil per day (BOPD) based on the 1965 Yardstick

in Statewide Rule 45(a)(2)[16 Tex. Admin. Code. §3.45(a)(2)].

3. Since discovery the field has produced 446,743 barrels of oil (BO) and 1,783,259 thousand cubic feet (MCF) of gas well and casinghead gas. In 2014, the field produced 6,444 BO and 13,139 MCF of gas.
4. The water cut averages 15 percent. The reservoir has an average porosity of 21.8 percent. The average water saturation is 45 percent. The average net effective oil pay thickness is 38 feet. The oil has a gravity of 29° API.
5. The proposed correlative interval from 2,180 feet to 2,579 feet is based on the log of the Bluestone Natural Res. II, LLC (originally operated by Gulf Energy Producing Company) – Blas Ramirez Lease, Well No. Q 4 (API No. 42-505-31563, Section 17, C Ramirez Survey, A-77, in Zapata County, Texas, is appropriate for the field.
6. The recoverable oil in place is 114 STB per acre-foot, which corresponds to 173,280 STB in a 40-acre unit and 86,640 STB in a 20-acre unit.
7. Wells in the field drain from 2 to 65 acres, with the average drainage being 14 acres.
8. 40-acre standard units and 20-acre optional units are appropriate for the field.
9. The standard lease line spacing for a 20-acre unit is 330 feet, and the standard between-well spacing for a 20-acre unit is 467 feet.
10. The field exists as a linear trend, and Bluestone believes a reduced between-well spacing is appropriate for full development. Between well spacing of 330-feet is appropriate for the field.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051
2. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.45
3. The proposed field rules will reduce waste, protect correlative rights, and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the field rules for the Lopeno (Queen City Oil) Field be adopted and made permanent, as requested by Bluestone.

Respectfully submitted,



Paul Dubois
Technical Examiner



Marshall Enquist
Hearings Examiner